



# **INDIGENT MANAGEMENT POLICY 2016/2017**

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# **LESEDI INDIGENT MANAGEMENT POLICY**

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**Appendix A: Application form for Indigent Household Subsidy**

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## **1. PREAMBLE**

In recent municipal discourse in South Africa the term “Indigent Management Policy” has tended to refer to a policy on how chronically poor households should be dealt with in relation to the generation of municipal income.

Most commonly, these policies adopt a narrow approach to this, seeking to define indigence in terms of particular household income level, administratively identifying household falling below this level, and provide them with a subsidy to their basic services of the municipal accounts.

Our approach as Lesedi is that the term Indigent Management Policy should refer to something broader. We prefer to define it rather as the whole set of interventions that ensure that the basic needs of the poor are met, and their rights upheld while protecting resources for use by the next generation.

## **2. OBJECTIVE**

The policy seeks to address the following:

- 2.1 The urgent need to address the high levels of poverty in Lesedi Local Municipality
- 2.2 The requirement of developmental local government that municipalities work together with local communities to find ways to meet the needs of the less fortunate and to improve their lives.
- 2.3 The Constitutional obligations to provide basic services to the poor.

The Indigent Management Policy will seek to provide support to the registered indigents by:

- Free basic municipal services

### 3. BACKGROUND

An indigent policy is required to ensure that constitutional obligations relating to the socioeconomic rights of all South Africans are realised.

Failure to address the needs of the poor may jeopardise growth while poverty relief may stimulate growth and competitiveness by creating a more stable environment. An indigent policy provides an opportunity to create a safety net to the poorest section of the population.

Poverty Manifestation in Lesedi

***Poverty is more than a lack of income. Poverty exists when an individual's or a household's, access to income, jobs, infrastructure or services is inadequate to ensure full access to opportunities in society. The condition of poverty is caused by a combination of social, economical, spatial, environmental and political factors.***

It is clear from the poverty profiles that not only is poverty a general critical problem in Lesedi, but that there is a significant number of people who are living in extreme poverty and who without Council support will be unable to afford to pay for even the most basic of services.

#### LEGISLATIVE BACKGROUND

The Constitution of South Africa sets out the obligation of government

Local Government: Municipal Structures Act No. 117 of 1998

Local Government: Municipal Structures Amendment Act No. 33 of 2000

Local Government: Municipal Systems Act No. 32 of 2000

Local Government Property Rates Act

Municipal Finance Management Act No. 56 of 2003

Water Services Act No. 108 of 1997

Division of Revenue Act

Local Government: Municipal Demarcation Act No 27 of 1998.

#### 4. DEFINITIONS

**‘Indigents’** Indigents are defined as those people, due to a number of factors, who are unable to make monetary contribution towards basic services, no matter how small the amounts seem to be.

Any household, earning up to or less than the R3 745 qualify to be registered as indigents. Examples are pensioners, unemployed, child / youth headed families. Lesedi Local Municipality will align the income level of indigent households with the predetermined income category as determined by the department of Human Settlement for ownership of RDP properties. The said amount currently is an equivalent of R3 745 per household.

**“Household”** refers to as all adults and children living on a single property. An indigent policy will thus refer to fairly limited set of administrative procedures within the income function for distributing grant support to reduce the municipal account to particular households.

Indigent database refers to a database that Lesedi Local Municipality established to register and monitor all households that are categorised as per financial definition of an indigent.

**“Basic municipal services”** refers to a Municipal services that are necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public

**“equity”** refers to health or safety or the environment.

**“CFO”** refers to the Chief Financial Officer of the Lesedi Local Municipality, a person designated in terms of section 80(2)(a) of the Local Government: Municipal Finance Management Act, 56 of 2003

**“Child Headed”** refers to households where all members are under 18 years

**“Consumer”** refers to any occupant or owner of the premises to which the council has agreed to supply or is actually supplying municipal services, or if there is no occupier, then the owner of the premises.

**“Council”** refers to -

- a) a municipal council as referred to in section 157 of the Constitution

- b) Lesedi Local Municipality exercising a delegated power or carrying out an instruction, where any power in this policy has been delegated, or sub delegated, or an instruction given as contemplated in section 59 of the Act;

**“Disabled”** refers to a household headed by a disabled person who has a long-term or recurring physical or mental impairment which substantially limits prospects of entry into, or advancement in employment.

**“Employed”** refers to a household earning an income that is or below R3 745.00;

**“Municipal Manager”** refers to the person appointed at Lesedi Local Municipality in terms of section 82(1)(a) or (b) of the Municipal Structures Act;

**“Occupier”** in relation to a property, refers to a person in actual occupation of a property, whether or not that person has a right to occupy the property;

**“Pensioner”** refers to a person who is 60 years of age or older with a household income of or less than R3 745

**“Unemployed”** refers to a household who is not earning an income or household income that is or below R3 745;

**“Youth Headed”** refers to a household where all members are between 18 and 35 years of age.

## **5. QUALIFICATION CRITERIA**

The criteria for the approval and registration as indigent household are as follows:

5.1 The applicant and beneficiaries must be South African citizens.

5.2 The applicant, must be –

5.2.1 The registered owner of the property; or

5.2.2 An occupier of a child-headed household where the property is registered in the name of the deceased parent or deceased parents; or

5.2.3 The party to whom the property is awarded in the event of a divorce; or

5.2.4 Where a deceased estate has not been wound up a letter of authority / executorship is needed;

5.2.4.1 In the case of a deceased estate, in whose name the property is registered, any heir to whom the registered property has been bequeathed; or

5.2.4.2 A surviving spouse, where the surviving spouse was married in community of property to the deceased, and where the property is registered in both spouses' names and the surviving spouse is the sole heir; or

5.2.4.3 A surviving spouse, who was married in community of property to the deceased, together with any other heirs, if any, where the property is registered in the name of that deceased; and

5.2.4.4 The property must be registered into the new owners name within a year, after approval date of indigence.

5.2.5 The total household income of the property may not exceed R3 745;

5.2.6 The applicant must be in possession of a valid South African identity document.

5.2.7 If the property of the applicant has a valuation more than R300 000.00 [three hundred thousand rand), the applicant will be rejected unless it falls under special merit cases e.g. child headed households

5.2.8 The vacant land where there is no full time occupant does not qualify for the subsidy.

5.3 Business or industrial and place of worship properties do not qualify as indigents.

## **6. SCOPE OF THE POLICY**

The policy covers a wide range of indigent benefits such as:

6.1. Allocating a subsidy on the municipal account by giving a credit which equivalent to the total basic charges:

6.1.1. Basic water

6.1.2. Basic sewer

6.1.3. Basic electricity

6.1.4. Refuse removal

6.2. Free 6kl of water services of the qualifying households

- 6.3. Free 50 kwh of electricity services of the qualifying households

## **7. CHALLENGES**

- 7.1. Household income alone is not an adequate indicator of poverty.
- 7.2. To make an accurate assessment of the true situation in any household is difficult.
- 7.3. The number of households who might legitimately be termed 'indigent' or too poor to afford minimum acceptable level of municipal services is huge.
- 7.4. The households are changing constantly.
- 7.5. Conditions of poverty are too complex to allow for a single indicator to define the target group of indigent support.

## **8. RATIONALE FOR AN INDIGENT POLICY**

- 8.1 The assurance of a basic human right as a progressive democracy.
- 8.2 To create a centralised mechanism to address poverty in a systematic way.
- 8.3 To enable Lesedi Local Municipality to efficiently support the provision of basic services to the poor.
- 8.4 To enable Lesedi Local Municipality to restore the rule of law in its jurisdiction by establishing universal acceptance of the need to meet the obligations of payment of services.

## **9. INDIGENT POLICY PRINCIPLES**

### **9.1 Equity**

- 9.1.1 This implies that all people in a similar position should be treated similarly.
- 9.1.2 The municipality must differentiate fairly between those in different circumstances, and treat them appropriately according to their different circumstances.

### **9.2 Sustainability**



9.2.1 The policy must be financially and environmentally sustainable. This assumes a judicious long term approach to the use resources in both Finance / customer care sections

### 9.3 Reasonable choices

9.3.1 The policy shall enable all households, including indigent households, to take responsibility and make choices wherever possible that best suit their circumstances.

### 9.4 Inclusivity

9.4.1 Income and indigent policies for poor Lesedi residents must be integrated seamlessly with income policy for all other citizens. As households' circumstances change they should be able to shift relatively easily across the continuum of choices.

### 9.5 Implementable

9.5.1 The Indigent Management Policy must be administratively practical and implementable. Finance / Customer care shall play a key role to implement the policy.

## 10. OPERATIONAL PRINCIPLES

This section outlines a set of critical 'operational principles' which outlines many different aspects of the policy.

- 10.1. Implement convenient mechanisms to enable poor household to control consumption.
- 10.2. Early responses to problems are required in managing indigent households
- 10.3. Current consumption provides a good basis for establishing arrangements to pay off older arrears

- 10.4. The management of indigent households should not be fragmented amongst services
- 10.5. The role of electricity department is crucial in the long term management of indigent households
- 10.6. The sharing of responsibility between Finance / Customer care and Community Services must be well designed.
- 10.7. Measures must be taken to ensure the reliability of the information submitted by the applicant.
- 10.8. The issue of poor postage delivery in indigent areas must be managed
- 10.9. Legal processes should be instituted against households through formal legal system only when other mechanisms have been exhausted and only if it is economically viable.
- 10.10. Updated and ongoing communication is crucial
- 10.11. Processes must be established to realise continuous improvement in the management of indigent households.

## **11. INDIGENT SUPPORT CRITERIA**

- 11.1. That the combined gross income of a household for qualification as an indigent be determined as equal or less than R3 745 per month excluding: Child support, foster care and disability grants
- 11.2. That residents wishing to apply as indigent should do so at Lesedi Finance Department / Customer care for verification and capturing
- 11.3. That the Lesedi electronic database form be used to receive and process applications until such time that a new application form is developed.
- 11.4. That all application forms be captured into the electronic Indigents database.
- 11.5. That a subsidy be credited on the account for one year – that approved indigents be subsidised according to:

### **11.5.1. Indigent relief: Water**

- Consumer may receive their first 6 kl, or as determined by Council from time to time of consumption on a zero based tariff.
- A basic charge will be levied and be offset against equitable share.

- The Municipal Manager will grant authority that a prepayment meter may be installed in those properties where the registered owners qualify and are registered for indigent relief so that the debtor cannot consume electricity beyond such debtor's means.
- All prepayment meters are installed at the rate as indicated in the Tariff Policy.

#### **11.5.2. Indigent relief: Electricity**

- Consumer will receive a free supply of 50 kWh per month in case where a low voltage meter has been installed
- The Municipal Manager will grant authority that a prepayment meter may be installed in those properties where the registered owners qualify and are registered for indigent relief so that the debtor cannot consume electricity beyond such debtor's means.
- All prepayment meters are installed at the rate as indicated in the Tariff Policy.
- A basic charge will be levied and be offset against equitable share.

#### **11.5.3. Indigent relief: Refuse**

- All registered debtors will be levied with a refuse removal service and be offset against equitable share.

#### **11.5.4. Indigent relief: Sewerage**

- A basic charge will be levied and be offset against equitable share.

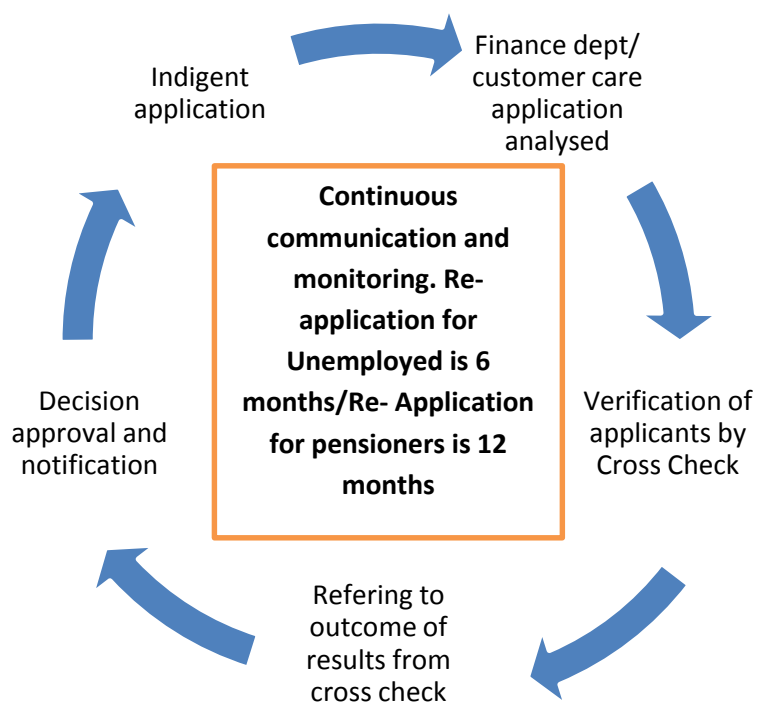
- 11.6. That the indigents reapply for assistance and the Finance Department / customer care should perform a re-evaluation/ reassessment of an Indigent applicant during the ninth (9th) month of indigence.
- 11.7. That the municipality should investigate possible ways of creating and encouraging Exit programs for indigents.
- 11.8. That Indigents be compelled to inform Council about any change of their indigence status compelling them sign a penalty clause viz. services will be discontinued until arrears are paid in full.

- 11.9. That the customer care department informs Finance in all instances referred to in (11.7) above. The latter will then cancel the approval, terminate subsidy and bring back the amount in the Indigent suspense account.
- 11.10. That application forms in respect of approved indigents be submitted to the Customer care for capturing within fourteen (14) days of approval thereof.
- 11.11. That all outstanding balances up to the date of approval is written off.
- 11.12. That service is suspended / restricted to indigents who fail to pay for services consumed over and above the subsidised amount.
- 11.13. That no legal eviction should be instituted / conducted against indigents who are lessees of the municipality. However in an event where there is crime committed by the applicant, credit control will apply and the applicant will no longer receive the benefit.
- 11.14. That expired indigents referred to in (11.6) above, should exclude any individual whose indigence status changed during the application process.
- 11.15. That any conditions affecting indigents should be brought to their attention in the official language of their preference by the Customer care department.
- 11.16. That the assessments of indigent's applicant's include lifestyle audit and ownership of luxurious items e.g. Motor car, DSTV decoders etc.
- 11.17. Where tampering is discovered, all benefits will immediately be suspended. A fine according to the Credit Control and tariff Policy will be imposed. The service will be terminated and will only be re-installed on the payment of the full amount of the reconnection fee and fine.

## **12. REQUIRED DOCUMENTS FOR REGISTRATION:**

- Proof of gross income: This must not exceed R3 745 per household per month.
- Ownership status / proof of residence: The applicant must be the registered owner of the property or proof of account liability in case a child headed household where the property is registered in the name of the deceased parent/s.
- Letter of authority where the property is registered in the name of the deceased.
- Valid copy of the applicant identity and of all household occupants.
- Pension certificate or card in case of a pensioner.
- Municipal account.
- Three (3) month bank statement.
- Duly completed application form.

### Procedures and Processes for Implementation



*This whole process is to be completed within 3 months from date of application*

### 13 RESPONSIBILITIES OF CREDIT CONTROL SECTION

It shall be the responsibility of credit control to:

- 13.1 Create, maintain and update a register of all debtors receiving indigent support subsidies from the Municipality in terms of this Policy;

- 13.2 Reflect the indigent status of debtors in the accounting records of the Municipality;
- 13.3 Advise and keep indigent debtors informed of the approval, amendment, suspension or withdrawal of an application for indigent support in terms of this Policy, and the conditions under which such support will be granted, including the renewal of indigent support applications;
- 13.4 Notify indigent debtors 90 days before the expiry date;
- 13.5 Report any incidents of misuse of the Municipality's Indigent Support Programme to Council.

## **14 RESPONSIBILITIES OF MUNICIPAL MANAGER**

- 14.1 Approve special merit cases where special circumstances prevail and must be treated individually and could amongst others include the following;
  - 14.1.1 Deceased estate
  - 14.1.2 Legal guardian not owning the property
  - 14.1.3 Unemployed persons not owning the property
  - 14.1.4 Any other cases not mentioned above which can be regarded as merit cases due to circumstances.

## **15 APPLICATION FORMS**

The attached application form should be used for application and processing of all indigent applications for municipal rebates (See Appendix A) and Indigent acknowledgement letter (See Appendix B).

## **16 CONCLUSION**

For Lesedi Local Municipality it is a priority to ensure that the poor receive affordable basic services. However, this task is made more complex by the large proportion of the population who are potential beneficiaries of the indigent programme.

To market the policy and the initiative. Finance / customer care will engage Ward Councillors and Ward committees and ensure community participation. Newspaper adverts in the local media and the Indigent's brochure will also be used to invite indigent's applications.

## **17. REVIEW OF POLICY**

This policy shall be reviewed annually during March of the year preceding the new budget commencing on 01 July and be amended, if necessary.

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**APPENDIX A: Application Form for Indigent Household Subsidy**

**APPENDIX B: Indigent acknowledgement letter**

**RESOLUTION NO.: LC.MC –**